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Review**

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Articles have been coordinated as appropriate with other offices within CIA. Comments and queries regarding this publication may be directed to the Chief, Production Staff, Office of African and Latin American Analysis, [REDACTED]

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Articles

**Jamaica: Economic Recovery
Proves Elusive**

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Recent spontaneous outbursts protesting sharp increases in petroleum prices underscore Prime Minister Edward Seaga's growing difficulties in pulling Jamaica out of its economic doldrums. Slumping US demand for Jamaica's bauxite and alumina, low world prices for sugar and bananas, and sluggish inflows of foreign funds have wreaked havoc with the country's balance of payments and dampened economic growth. As a result, Seaga's early gains in reducing inflation have been wiped out, the unemployment rate now matches that inherited from the Manley administration, the exodus of scarce skilled workers has picked up, and Seaga's popularity has sunk to a record low. Current domestic and international trends offer little hope that Jamaica's economy will register much, if any, growth this year. In these circumstances, social tensions are likely to rise. As a result, Kingston's willingness to crack down on the drug trade may flag, and pleas for increased US aid are likely to become more intense.

- Tightening restrictions on credit and monetary expansion.

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In keeping with the process of adjustment, the government presented a budget for the fiscal year beginning in April that slashed the deficit from 18 percent to 8.3 percent of GDP, mainly by cutting 6,000 public-sector jobs and raising taxes more than 10 percent. To cushion the impact on low income earners, Seaga began a food stamp program, reduced income taxes on the poor, and increased the minimum wage. When the United States declined to purchase additional bauxite for its strategic stockpile, the budget was slashed even further, mostly by cutting current expenditures. With these measures in hand, Jamaica qualified for a one-year, \$143 million standby agreement in June. Jamaican officials optimistically predicted that, despite the belt-tightening adopted to obtain IMF support, Jamaica in 1984 could duplicate the 1.8-percent increase in real GDP recorded in 1983.

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25X1**Economic Hopes Dashed in 1984**

Jamaican officials during the first half of 1984 were involved in intense—and often acrimonious—negotiations to obtain IMF funding. To qualify for new Fund credit, Seaga met a number of preconditions that included:

- Unifying the exchange rate and instituting an auction mechanism with a constrained floating rate.
- Eliminating almost all import licensing requirements.
- Reorganizing the government-owned sugar company.
- Phasing out subsidies on most foods and basic commodities.
- Implementing sharp hikes in electricity and telephone rates.

The economic results, however, were disappointing. Seaga estimated that Jamaica experienced a 1-percent economic decline in 1984, although the rapid growth in drug trafficking complicates measurement of Jamaica's actual national income. We believe that a major factor in this deterioration was the continued slump in traditional agriculture. Production of sugar and bananas—Jamaica's leading farm exports—and the domestic food harvest were severely hurt by low world prices, bad weather, misguided regulations, a shortage of necessary imports, and tight domestic credit. Government spending cuts and high interest rates buffeted the construction sector. Manufacturing

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The Economics of Marijuana

Marijuana—known in Jamaica by its Hindi name ganja—has long been associated in Jamaican culture with the poor. Grown for local consumption and increasingly for sale to Jamaican brokers supplying the US market, marijuana has become the most lucrative crop for many farmers. As banana and sugar prices have fallen, many growers have shifted to marijuana as a far more valuable alternative than such domestic crops as manioc, yams, or beans. Many farmers plant marijuana on small plots, totaling only a few dozen plants concealed among other crops. Others cultivate ganja more systematically, transplanting young seedlings from ganja nurseries to larger fields of up to several acres.

We believe marijuana smuggled into the United States probably earns the Jamaican economy \$100-225 million annually, assuming that Jamaican brokers keep half their profits and send the rest out of Jamaica immediately without cycling the money through the local economy. The export crop is about 70-percent commercial grade marijuana, according to the Drug Enforcement Administration (DEA), and costs US wholesale buyers \$50-100 per pound. The remainder is sinsemilla, an especially potent form of marijuana that costs between \$60-200 per pound. US wholesalers pay Jamaican brokers, who assemble the shipment, arrange for loading the aircraft or boats, and provide security by bribing local police if necessary. The brokers pay the farmers and other incidental workers, and the rest is profit.

The net economic impact of marijuana is difficult to assess and is hotly debated in Jamaica. Some, including influential newspaper columnists and politicians, believe that trafficking provides major economic benefits to Jamaica and should be legalized. These proponents often mistakenly quote the total US retail value of the crop—about \$2.5 billion—as the sum earned by Jamaica. Foreign exchange earnings from marijuana are equivalent to as much as one-third of Jamaica's export receipts. We believe that most of the money brought into Jamaica, however, is allocated for consumer imports and soon returns to the United States. As a result, we doubt that much drug-related money cycling through Jamaican banks becomes available to finance producer goods, or local investment.

aimed at the local and regional markets was crimped by tight credit and import restrictions. Production of textiles for sale in the US market, however, was buoyed by the 806.3 and 807 provisions in the US Tariff Schedule and Jamaica's exclusion from quotas under the international Multifiber Arrangement, which attracted a number of US and East Asian investors.

Performances in the bauxite/alumina and tourist sectors were little better. Bauxite production increased about 12 percent over the 1983 level, when output sank to the lowest level in 20 years. This improvement occurred in the first half of 1984, however, and reflected final shipments under a US strategic stockpile agreement and accelerated deliveries from the Reynolds Jamaica Mine prior to its closure in June after 40 years' operation there. Bauxite production declined sharply in the second half of 1984 in response to declining world demand for aluminum and high operating costs that have long hurt the profitability of US- and Canadian-owned bauxite/alumina operations in Jamaica. Tourist industry growth was slowed by reduced spending on advertising; a strong US dollar that increased competition from Mexico, Western Europe, and other areas; and bad publicity stemming from the Grenada intervention and growing domestic security problems.

The deterioration in Jamaica's foreign payments situation in 1984 mirrored that in the domestic economy. Export earnings stagnated. A \$60 million increase in nontraditional farm exports was not enough to offset sluggish sales of Jamaica's leading foreign exchange earners. Despite a plummeting Jamaican dollar—its value in 1984 had fallen 35 percent by the time the free float was instituted in November—imports remained fairly strong. Seaga relied on bureaucratic harassment and jawboning to dampen currency demand at the twice-weekly foreign exchange auctions. This hostile environment discouraged potential investors and accelerated capital flight, according to the US Embassy in Kingston. Under IMF pressure, Seaga belatedly

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relaxed these methods and instituted further interest rate increases and credit restrictions to try to mop up excess liquidity and dampen demand. []

The result was a further erosion in the standard of living for most Jamaicans. We estimate that inflation in this import-dependent economy approached 40 percent in 1984. As a result, real wages for many Jamaicans fell roughly 25 percent because of the government's success in restraining most wage increases to no more than 15 percent. Some ground also was lost in the battle against unemployment—Jamaica's most intractable social problem. Public-sector layoffs, rationalization of the sugar and banana industries, and the Reynolds pullout were the major factors in pushing the unemployment rate to nearly 30 percent—roughly on par with that inherited from the Manley administration. Shortages of skilled workers, managers, and professionals worsened in response to a resurgence of the exodus of trained personnel that had characterized the Manley years. []

Political Fallout

While economic woes have badly eroded Seaga's popularity, he continues to control the pace and direction of political events. The two-day outburst this month to protest petroleum price hikes notwithstanding, the anticipated wave of popular protests has not occurred. We believe this is due largely to the abhorrence of most Jamaicans for a repetition of the violent political warfare that swept the island in 1980, the inability of the ideologically divided opposition to parlay economic woes into a political bonanza for itself, and Seaga's astute political management. []

Seaga, nonetheless, probably will encounter stiffer political challenges this year. Michael Manley and other People's National Party leaders consider Seaga's only mandate to have been conferred by the 1980 election and that his legitimate claim to office will end in late 1985. Opposition parties boycotted the election held in 1983. The opposition recently committed itself publicly to intensifying its "elections now" drive. Moreover, worker dissatisfaction with the government's wage restraint policy is likely to lead to increased labor unrest. []

Grim Economic Outlook

Any recovery in 1985 will hinge largely on an increase in bauxite/alumina sales, tourism, and sugar and banana exports as well as on Seaga's ability to stimulate investor interest—particularly in nontraditional agriculture and light manufacturing—and to tap foreign capital markets. Current domestic and international trends provide little basis for optimism that the economy will post much, if any, growth in 1985. Nor is Seaga likely to make any real headway in slashing unemployment and inflation. []

The likelihood of reviving the bauxite/alumina sector is bleak, despite currency devaluations that have cut local costs. Even in the unlikely event that world demand for aluminum picks up significantly, US producers probably would satisfy their needs from lower cost operations in Guinea, Australia, Brazil, and elsewhere before trying to increase purchases from Jamaica. The manager of the ALPART alumina refinery, the largest US investment in Jamaica, in October indicated to US Embassy officials that its owners may close down operations. The plant processes more than 15 percent of Jamaica's bauxite production, earns 10 percent of the island's foreign exchange, and employs 1,200 workers. The manager claims that only complete exclusion from the government's bauxite tax would keep the plant open. Any relief for ALPART would prompt demands for equal treatment from other local producers and might not increase production sufficiently to maintain vital government revenues from this source. In any case, Jamaica's eroding competitiveness will severely limit government plans to take up the slack in sales by more vigorously diversifying markets for Jamaican products through countertrade. []

Continued growth in the tourist industry will depend largely on the strength and duration of the US recovery and on the government's ability to get a handle on the recent upsurge in domestic crime, violence, and harassment of tourists by drug peddlers. The surge in violent crime in late 1984 has not resulted in canceled reservations but has prompted added protective measures that have increased costs. Although serious security problems could dampen

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investor enthusiasm, the possible institution of casino gambling for tourists probably would kindle investor interest. [redacted]

arrangement is forged. At the same time, continued economic distress is likely to diminish further the Seaga government's willingness to pursue drug traffickers [redacted]

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The prospects for agriculture are mixed. Recent currency devaluations should increase the competitiveness of food production in both the foreign and domestic markets. Sugar and banana prices are likely to remain too low in 1985 to encourage much, if any, increase in production of traditional crops despite progress in streamlining government commodity boards. Government efforts under the Caribbean Basin Initiative's trade provisions, nonetheless, will continue to encourage the expansion of such higher value products as spices, cut flowers, and winter vegetables. [redacted]

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Shortages of foreign investment and loan capital will continue to crimp the performance of most sectors, particularly heavily import-dependent manufacturing activities. Economic and political uncertainties are prompting a number of international banks to decrease their loan exposure in Jamaica. [redacted]

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[redacted] With the IMF standby accord scheduled to end in mid-1985, Jamaica probably will have to weather some months without a new Fund program as negotiations with the IMF drag on. Jamaica's medium- and long-term external debt of \$2.2 billion—excluding debt to the IMF—exceeds that of any Caribbean country, including Cuba. Kingston's recent moves to reschedule that portion of the public debt coming due through March 1985 will further discourage potential lenders. Still, Jamaica's relatively low wages—recent devaluations have cut production factor costs well below those in Hong Kong—and proximity to the US market will lure some investors. [redacted]

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Assuming the economic outlook remains bleak and that opposition pressure will intensify over the near term, Kingston almost certainly will seek additional US aid with an increasingly urgent tone, especially after the current IMF standby program ends in mid-1985. We believe Seaga will request help in such forms as additional bauxite purchases, support for the country's security forces, and concessional loans to tide the economy over at least until a new Fund

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Mexico-USSR: Distant Friends

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Over the past year, the Soviet Union has implemented a number of political, economic, and cultural policies to enhance its influence in Mexico. Moscow seeks good relations with Mexico City to promote Soviet aims in Central America and the Caribbean, foster tensions between Mexico and the United States, and influence developments within Mexico. The Mexican Government, for its part, uses ties to Moscow to reaffirm its independence of Washington in international affairs and to improve its standing with Mexican leftists. We expect the Soviets to continue efforts to increase their influence in Mexico, but they will face a number of major obstacles in pursuing this aim.

Recent Diplomatic Activity

In the past year, several important Soviet officials have visited Mexico to discuss substantive matters and attend ceremonial functions. They have included Vice President of the Presidium of the Supreme Soviet Kosholev and CPSU Central Committee Secretary Kapitanov. Meanwhile, according to the US Embassy in Moscow, the Kremlin has given Mexican officials traveling to the USSR a particularly warm reception, and the Soviet media have accorded Mexican-Soviet developments extensive coverage.

Moscow has used such diplomatic contacts, among other things, to:

- Praise the government of President de la Madrid for pursuing a foreign policy independent of Washington.
- Express gratitude for Mexican efforts to bring peace to Central America and for defending Nicaragua's interests in the Contadora talks.
- Note its satisfaction with Mexican attempts in the United Nations and elsewhere to promote nuclear disarmament.

The de la Madrid government has adopted positions more sympathetic to the Soviet viewpoint in some

areas, particularly those not central to Mexico City's key interests. For example, Mexico City has refused to criticize the USSR for shooting down a Korean airliner in September 1983. In addition, the Mexicans have voted against the United States in the United Nations more often in recent years.

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Economic Initiatives

The USSR also has been seeking to expand economic cooperation with Mexico, both within the framework of a Mexico-CEMA joint commission and on a bilateral basis.

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The Soviet Union and six other CEMA members sponsored a trade exposition in Mexico in November 1984 which was the first of its kind in Latin America. The stated aim of the exhibition was to familiarize Mexicans with products manufactured in CEMA countries and to broaden commercial and scientific cooperation with Mexico.

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On a bilateral basis, Mexico and the USSR earlier this year signed a nonbinding protocol calling for each to purchase a minimum of \$40 million of the other's products annually. At present, the value of their trade is far less and, in the case of Mexico, accounts for less than 1 percent of the country's overall trade. Each country has cheaper sources of supply for the products the other exports. Moreover, bilateral trade has declined in the past several years, principally as a result of Mexico's economic difficulties and its austerity policies, which also have limited imports from other countries.

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Mexican-Soviet Relations: A Brief Chronology

- 1924 *Mexico becomes the first state in the Western hemisphere to establish diplomatic relations with the USSR.*
- 1929 *Mexico severs relations, denouncing Soviet involvement in the Mexican labor movement as interference in its internal affairs.*
- 1937 *Leon Trotsky begins a sojourn in Mexico that will last until his assassination in 1940, an event that will further aggravate relations.*
- 1942 *Mexico agrees in the atmosphere of World War II and at US urging to reestablish diplomatic relations with the USSR; the countries have few contacts in the years that follow.*
- 1959 *Mexico expels two Soviet intelligence officers for promoting a Communist-instigated railroad strike.*
- 1971 *Mexico declares five Soviet intelligence officers persona non grata in retaliation for North Korean training, with apparent Soviet complicity, of Mexican "revolutionaries," members of the Revolutionary Action Movement.*
- 1973 *Mexican President Echeverria becomes the first Mexican head of state to visit the Soviet Union, restoring relations to an even keel.*
- 1975 *Mexico and the USSR sign a major Scientific and Technological Cooperation Agreement.*
- 1976 *President Echeverria reportedly is irritated by a Soviet espionage attempt to penetrate the Office of the Presidency. [redacted] relents when the Soviets hastily withdraw the offending "diplomat."*
- 1978 *President Lopez Portillo pays an official visit to Moscow. Leaders of the two countries conclude a new consular agreement.*
- 1984 *Several important Soviet officials visit Mexico to discuss substantive matters and attend observances marking the 60th anniversary of diplomatic relations.*
- [redacted]
-

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In recent years, Mexico has sold the USSR coffee, cocoa, and other agricultural products, as well as sulfur and pipe for an oil pipeline. The USSR's chief exports to Mexico have included T-25 tractors, which are assembled in Mexico for domestic and foreign sale, industrial machinery, and light manufactured goods. [redacted]

In keeping with its general trade policy toward the Third World, Moscow increasingly has sought to revitalize commercial relations through countertrade and joint ventures. The Soviet Union earlier this year agreed to send technicians to help modernize and expand Mexico's iron and steel industry. In return, Mexico will provide the USSR with iron and steel products, including pipes for the Soviet petroleum industry. [redacted]

[redacted]
 the Soviets have also tried to use their presence in Mexico to acquire advanced US oil-related technology, including drill bits, blueprints, and samples of sophisticated petroleum equipment. [redacted]

Cultural and Educational Cooperation

Cultural exchanges between the two countries also have become more numerous in the past year. Many of the events the Soviets have sponsored—theatrical performances, folk concerts, fine arts exhibits, films, and the like—have been associated with the 60th anniversary of Soviet-Mexican diplomatic relations, which occurred in 1984. The Soviets also have promoted cultural ties through organizations such as the Mexican-Soviet Institute of Friendship and Cultural Exchange. Seven such centers in Mexico sponsor Russian language training, offer lectures, and provide access to Soviet and Communist literature. [redacted]

About 150 Mexican students are studying in the USSR, according to Mexican officials. Ninety are under a bilateral exchange agreement, and the remainder, under the sponsorship of Mexican

Mexican UN Voting 1983-84 ^a

Percent

	1983	1984
Voted with US	19	9
Voted with USSR	85	90

^a Plenary votes in UN general assembly as reported by US State Department.

Communist groups. While many of the officially sponsored students attend technical schools throughout the USSR, the unofficial ones are concentrated at Patrice Lumumba Friendship University in Moscow, which provides political training to Third World students. There are few Soviet students in Mexico. [redacted]

Soviet Objectives

The Soviets almost certainly view their diplomatic efforts in Mexico as part of a broader attempt both to enhance and legitimize their presence in Latin America. They want to support their interests and those of their clients in the region. The Soviets value Mexico because of its longstanding friendship with Cuba, their single most important client state in the Third World. Moscow also wants to ensure that Mexico City maintains its political and economic support for the regime in Managua. Mexico has been Nicaragua's principal advocate within the Contadora group [redacted]

The Soviets also use Mexico as a conduit for advice and support to Central American groups they favor. The fact that Mexico City has long provided a haven for Latin American revolutionaries and their front organizations has facilitated this activity. The government of Mexico generally has granted foreign dissidents of all ideological persuasions considerable latitude so long as they do not interfere in Mexico's internal affairs. [redacted]

Another Soviet objective in Mexico is to drive a wedge between the United States and its southern neighbor by exploiting nationalist and anti-US sentiment. In Mexico, as elsewhere in the Third World, the Soviets have used disinformation tactics and media manipulation to influence the Mexican people and government. [REDACTED]

According to the US Embassy in Mexico City, the USSR has fabricated stories and had them planted in the Mexican press to discredit the United States. Among recent examples have been articles suggesting that the United States engaged in chemical warfare in Grenada and that terrorists, including members of the Ku Klux Klan, threatened the safety of foreigners attending the Los Angeles Olympic games. US Embassy officials in Mexico City believe that the Soviets and Cubans have Mexican reporters, some of whom enjoy wide readership, on their payrolls. [REDACTED]

In addition to direct Soviet disinformation efforts, leftist and nationalist Mexican newspapers frequently take anti-American stands and distort US policies. Articles from Soviet and Cuban news services routinely appear in the Mexican Government newspaper *El Nacional*, as well as in more Marxist-oriented publications. [REDACTED]

Mexico itself is also a target of Soviet intelligence. The Soviets probably recognize that they can best pursue their political objectives by giving priority to state-to-state relations with Mexico City. Mexico's espousal of revolutionary causes and Third World issues affords the USSR an opportunity to align itself with Mexico on many issues and to gain propaganda advantage by emphasizing similarities in policy. Nonetheless, we have no evidence that Moscow is now seeking to subvert the Mexican Government by supporting terrorist or guerrilla groups. [REDACTED]

The Mexican Perspective

In pursuing relations with the USSR, successive Mexican governments have attempted to balance their desire to demonstrate independence from Washington with a wish to avoid actions that would antagonize the United States. Mexico's leaders do not appear to be particularly concerned about the possibility of Soviet subversion and are more interested in using the relationship to improve their

standing with domestic leftists and other Third World nations. At the same time, we believe that the de la Madrid administration is wary of Soviet intentions, especially given occasional bilateral differences in the past, and that the Mexican Government closely monitors Soviet activities. [REDACTED]

We know little of Soviet contacts with leaders of Mexico's Government and ruling party. We believe, however, that Moscow has modest influence with Mexico's leftist parties which, although small, weak, and divided, have a disproportionate following among Mexican youth. [REDACTED]

Mexican officials probably are aware of Moscow's modest support for the Unified Socialist Party and other leftist parties. They do not appear to view the Unified Socialist Party as a major threat to their rule, however, since the leftists eschew violence and serve as a counter to the even stronger center-right National Action Party. Moreover, the leftists' participation in elections lends credence to the government's claim that the Mexican system is open and democratic. [REDACTED]

Moscow's efforts to gain greater influence also are obstructed by the anti-Communist attitudes of much of the Mexican church, most business leaders, and military commanders. The military is basically pro-Western, according to the US defense attache in Mexico City, and the Mexican Government has neither purchased Soviet arms nor accepted Soviet

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military advisers. The USSR and Mexico have done little more than exchange accredited military attaches. []

The majority of the leaders of Mexico's influential Roman Catholic Church are conservative, at least as compared with their counterparts elsewhere in Latin America. As a result, the general attitude of the church in Mexico is one of mistrust of the Soviets. Nonetheless, there exists a vociferous and active minority of church leaders, especially in the south, who espouse "liberation theology" and cooperate with local leftists. []

Prospects

We believe the Soviets will continue efforts to increase their influence in Mexico over the next several years but that they will realize few dramatic breakthroughs. The gains they achieve are unlikely, in our judgment, to jeopardize Mexico's nonaligned status, imperil its stability, or significantly threaten US interests in Mexico. []

The greatest likelihood—we view it as an 80-percent probability—is that Mexican-Soviet relations will be friendly over the next several years but that each country will exercise considerable caution in its dealings with the other. We expect the Soviets to act with circumspection, reasoning that they have more to gain by maintaining Mexico City's favor than by antagonizing it. Consequently, Moscow is not likely to increase significantly its support for Mexican leftist groups unless they show signs of becoming a more viable political force. This, in turn, could occur in the unlikely event the left acquires a charismatic leader, succeeds in uniting disparate factions, or is able to exploit more effectively Mexico's economic and social problems. []

In official exchanges, Soviet and Mexican officials are likely to stress points of convergence on international questions. Moreover, the Soviets will seek to exploit to their advantage any turbulence in Central America, attempting to divert US attention and resources from other areas more important to the USSR. They will also try to use events in Central America for propaganda advantage. []

The Mexicans, for their part, will continue to pursue a largely self-defined, highly nationalistic foreign policy. Mexico City recognizes that the Soviets lack the ability or willingness to assist Mexico in overcoming economic difficulties and that Moscow will be unable to offer investment funds or markets for Mexican goods on the scale that Washington will. Consequently, bilateral economic ties are unlikely to expand significantly even though trade may increase somewhat as the Mexican economy improves. The greatest potential for increased commercial dealings probably lies in countertrade, since neither country appears willing to spend hard currency. Mexico is likely to insist on commercially viable terms in trade deals, including possible oil swaps. []

We expect the Soviets to continue to try to capitalize on low-cost cultural, educational, and scientific exchanges to increase their presence in Mexico. We do not believe, however, that much of substance will emerge from cooperation in these fields. Nor do we believe that the conservative Mexican military will be likely to purchase Soviet military hardware unless weapons offered are made available on exceptionally favorable terms. []

Alternative Outcomes

There are a number of indicators that would lead us to believe that Soviet activities in Mexico warrant greater concern. We believe there is a 1 in 10 chance that three or more of these events will occur before the end of de la Madrid's term:

- An announcement that de la Madrid plans to visit Moscow or to receive one of the Kremlin's most senior officials.
- Conclusion of a major trade deal, possibly involving increased sales of petroleum to Moscow's clients in the region or of Western oil technology.
- A major decline in the Mexican economy, which would add to dissatisfaction with the government and present the Soviets with new opportunities.
- A dramatic increase in the number of Mexican students being trained in the USSR.
- Soviet sales of military equipment to Mexico and training of Mexican intelligence or military personnel in the USSR.

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- Mexico's increasingly positioning itself with the USSR and Cuba in international forums such as the United Nations.
- A major falling out between Mexico City and Washington, as might conceivably follow collapse of the Contadora talks.
- A general strengthening of the left, which could lead to greater Soviet support for Mexican leftists.
- A sharp rise in political instability which could encourage Soviet sponsorship, either direct or indirect, of groups trying to overthrow the Mexican Government. [REDACTED]

America. Meanwhile, US interests will best be served if the Mexican political system and economy remain strong and sufficiently resilient to withstand the formidable challenges they now face. [REDACTED]

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We think there is also a 1 in 10 probability that Mexican-Soviet relations will markedly deteriorate in the next several years. Indicators of such a trend might be a shift in Mexican foreign and domestic policy to the right, a further weakening of the Mexican left, or exposure of Soviet meddling in Mexico's internal affairs. Under such circumstances, Mexico City would become less receptive to Moscow's influence. [REDACTED]

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Implications for the United States

Mexico's long-held desire for independence from the "colossus to the north" will provide Moscow with opportunities to increase its influence at Washington's expense. Nevertheless, geographic and economic realities, strengthened by anti-Communist sentiment in a variety of key sectors, will sharply constrain Moscow's leverage. Mexico City will continue taking foreign policy stands that agree with Moscow on issues such as Central America, but these positions will be generated more by Mexico's perceptions of its own interests than by Soviet blandishments. Mexico City, however, recognizes that continued economic help from the United States is essential and will be careful not to provoke more than occasional rebukes from Washington. [REDACTED]

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In our estimation, therefore, the Soviets will have only limited success in their efforts to gain influence in Mexico over the next several years. We believe the threat the USSR poses to Mexico is of a less immediate and longer term nature. Much will depend on changes in Soviet objectives, on how conditions evolve within Mexico, particularly in the economic domain, and on the level of tension in Central

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Cuba: Cracks in the Isle of Youth Showcase

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One of the Castro regime's most appealing Potemkin villages is the group of 21 secondary schools for some 12,000 foreign teenagers on the Isle of Youth, a large island south of the Cuban mainland. The regime explains that the schools are Cuba's unselfish, disinterested contribution to improving the plight of the Third World through education. Ethiopian youths orphaned by the war in the Ogaden in 1978, for example, are offered scholarships that provide for all their physical and educational needs through junior and senior high school, which in some cases amounts to a stay in Cuba of up to eight years. The schools, which have received generous coverage in Cuban publications intended for foreign audiences, have become a mainstay of the itinerary of showcases that Havana displays for foreign visitors.

the highly touted secondary education program includes a strong dose of military training.

is the best evidence to date to belie Cuba's claims that the students receive only academic training.

The Isle of Youth

The sparsely populated Isle of Pines—an island of some 2,200 square kilometers lying south of western Cuba—was renamed the Isle of Youth in August 1978 in honor of the burgeoning population of teenagers sent there to work in the citrus groves while attending high school. As new schools were built among the groves, some were earmarked for foreign students to complement the Castro regime's growing political and military involvement in Africa. By mid-1979, some 6,000 young people from Angola, Ethiopia, Mozambique, and Namibia—sponsored by the South-West Africa People's Organization (SWAPO) guerrilla organization—were attending

Foreign Student Enrollment on the Isle of Youth

Country	Number of Schools	Number of Students
Total 11	21	11,925
Ethiopia	4	2,386
Mozambique	4	2,303
Angola	4	2,193
Nicaragua	2	1,196
Namibia	2	1,180
Ghana	1	610
Congo	1	588
Sahara Democratic Arab Republic (Polisario)	1	580
South Yemen	1	547
Guinea-Bissau		313
Sao Tome and Principe		29 ^a

^a Uses the same schools as students from Guinea-Bissau.

Source: "Cuba Internacional," Havana, August 1984, p. 27.

classes and doing agricultural work on the island. Today, that figure has doubled and new schools have been opened for pupils from Nicaragua, Guinea-Bissau, Sao Tome and Principe, Congo, Ghana, the Saharan Democratic Arab Republic (the self-proclaimed government of the Polisario), and South Yemen

The Isle of Youth is ideally suited for isolation of the foreign students. Separated from the rest of Cuba by the Gulf of Batabano, the island can be reached only by tightly controlled air and sea routes, and those

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tiring of the scholastic routine or work in the fields have no way to escape. []

The high school program on the island began in 1971 when the first of the now more than 60 secondary schools was built, with the intent of drawing young Cubans away from the influence of their parents and providing an easily controlled labor force for the expanding citrus industry. The influx of foreign students began after the Cuban intervention in Angola in 1975, which opened up a new era of enhanced Cuban influence in the Third World. Today, the student body—Cuban and foreign—comprise well over a third of the total population of the Isle of Youth. []

The scholarships offered by the Castro regime to foreign students are based on bilateral agreements between Havana and the governments of the recipient countries. There seems to be little variation in the details of the arrangement. The standard agreement requires Cuba to cover the cost of tuition, room and board, books, clothing, transportation within Cuba, and pocket money for both the students and the teacher-chaperones who accompany them. The country receiving the scholarships must pay the salaries of the teacher-chaperones as well as all transportation costs to and from Cuba. []

Political Indoctrination

Havana clearly sees the program as an important element of propaganda, enhancing Cuban prestige while flaunting the alleged superiority of Cuba's social system. The provision of scholarships—many are offered to sons and daughters of government officials and other important political figures—leaves the recipient countries in Cuba's debt and provides Havana the opportunity to politicize the youths, some of whom will eventually play a key role in the political life of their homelands. []

Although some recipient countries take special pains to emphasize that courses in Marxism-Leninism are not part of the curriculum, there can be no doubt that substantial politicization takes place at the schools. Marxism-Leninism is the basis of the Cuban educational system, and, while formal classes on the subject may not be part of the curriculum for foreign students, informal indoctrination is achieved through



Saharan students in their school's "friendship room." Note the stacked toy rifles in front of a mockup of a desert camp. [] Cuba Internacional ©

the Cuban interpretation of such subjects as economics, sociology, and history. Moreover, because Havana controls virtually all news and entertainment reaching the students, they have no alternative sources of information about world events. []

It is the students themselves who provide the best evidence of their indoctrination. One Nicaraguan described the work-plus-study regimen at the schools to a visiting Western journalist as "the implementation of the Leninist concept to form the new Soviet man." The schools are adorned with revolutionary banners and political decorations, and the student body is taught to parrot revolutionary slogans. []

In addition to the informal indoctrination provided by the Cuban Education Ministry, Cuba's Institute for Friendship With the Peoples in mid-1983 wanted to begin its own political orientation for the youths, []

[] Perhaps as a result of the proposal, the political work of the Education Ministry is now supplemented by elements of the Cuban Communist Party at each of the schools. The party Central Committee's Revolutionary Orientation Department,

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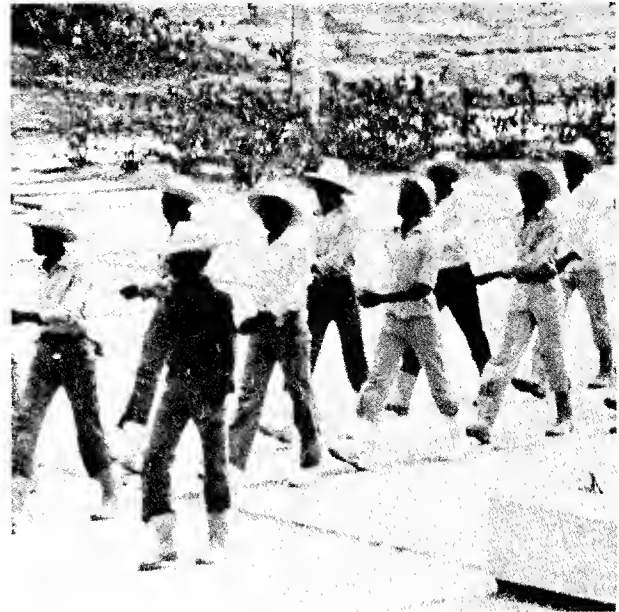
which oversees the Castro regime's propaganda apparatus, has cells at each school and holds weekly meetings "to discuss existing problems and difficulties." [redacted]

The Schools

Each school is a self-contained unit comprising about 600 students, 50 teachers, and 20 support personnel. Like the students, the staff lives at the school and provides 24-hour supervision. Each school compound contains three main buildings: one for classrooms and labs, workshop, bookstore, library, and administrative offices; a second for student and staff dormitories, a theater, and a dispensary; and a third for general storage, dining room, and kitchen. The school is surrounded by some 600 hectares of citrus groves where the students cultivate the soil and pick fruit as part of the daily work-study program in effect at all Cuban secondary schools in the countryside. The students are also responsible for groundskeeping duties within the compound and for the internal cleanliness of the school buildings. Their labor presumably helps to defray the costs for Havana of educating the foreign students. [redacted]

For recreation, each school is equipped with athletic fields. The school for students from Ghana, for example, has baseball and soccer fields, two volleyball courts, and two basketball courts, one of which has been converted by the students into a badminton court. The school also has a 16-mm projector, and Ghana's Ministry of Information has provided films for it. [redacted]

Usually, only one nationality is present at a school. When some countries, however, have fewer than 600 students to send to Cuba, the nationalities in a school are mixed. Angola, Mozambique, Ethiopia, Nicaragua, Namibia (SWAPO), Ghana, Congo, and South Yemen all have sent groups in multiples of 600 and thus have no intermingling of nationalities unlike the smaller contingents from Guinea-Bissau and Sao Tome and Principe. The length of stay on the Isle of Youth depends on each student's previous level of education; some are selected to spend as much as eight years on the island. [redacted]



African students marching to work in the citrus groves. [redacted]

Military Training

Despite broad coverage of these schools in the Cuban media and in the press of the countries having students on the Isle of Youth, there has been no mention as yet of military training in the curriculum. The first hint that the curriculum included military studies surfaced when a Namibian student, in talking with a Western visitor, said he would return to Africa after his schooling and would help to liberate his homeland. When pressed about military training, the student became reluctant to continue the conversation and was later questioned closely by a Cuban official at the scene. [redacted]

[redacted] each secondary school in addition to its conventional academic departments, has a military department monitored by the Cuban armed forces. The military department is given equal emphasis with the academic departments, and the courses stress the military responsibilities of the individual, as well as an orientation toward developing militias and other military reserve organizations. Most of the subject matter deals with conventional warfare, although there is some instruction on

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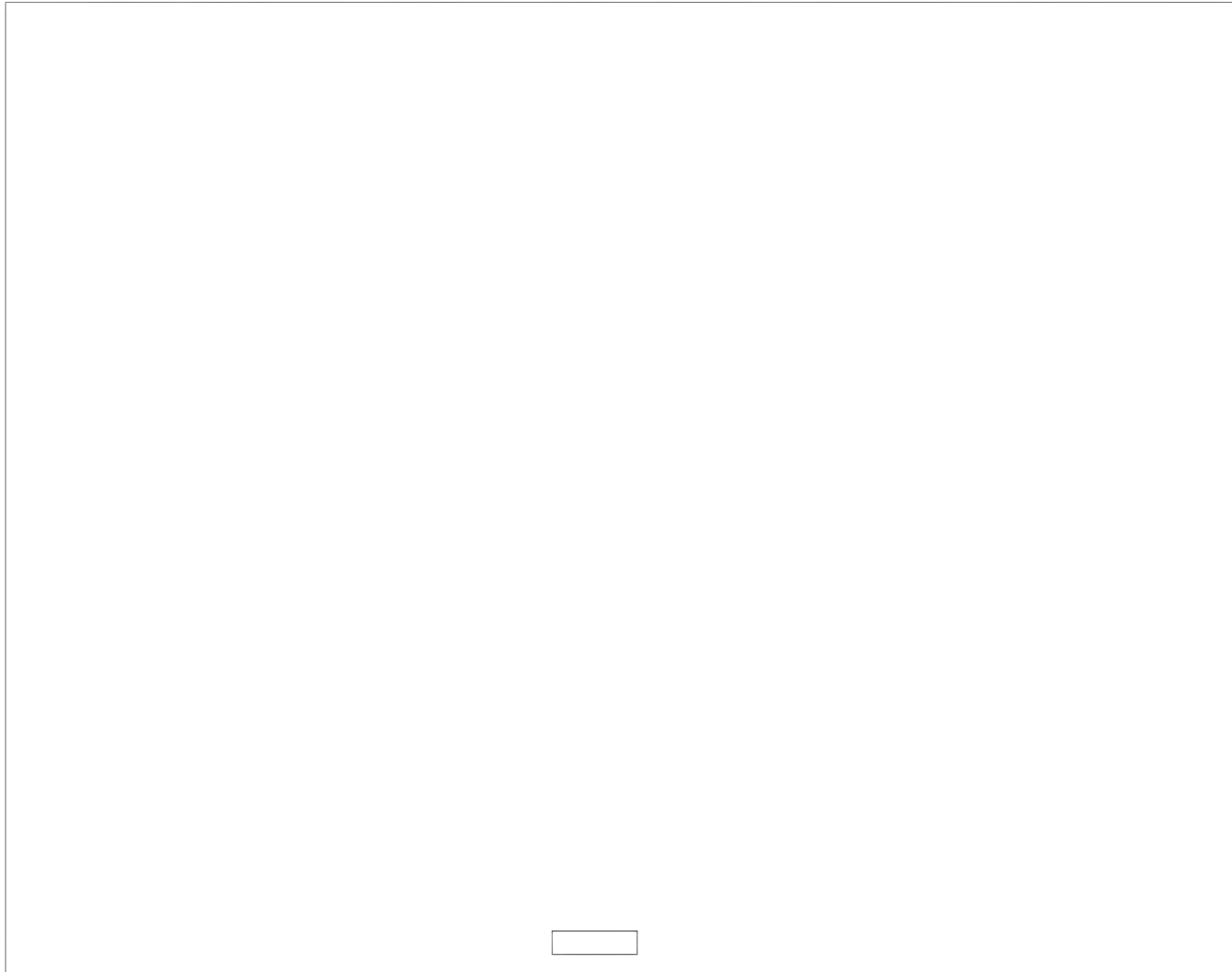
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countering chemical warfare and other less conventional tactics. The classroom work at the secondary schools is supplemented by field exercises, usually for one week, at six-month intervals. Each of the secondary schools participates in these exercises on a rotational basis. The exercises consist primarily of demonstrations and lectures, with minimal hands-on experience, and are not intended to provide intensive, practical training to the students.

[redacted]

[redacted] two military schools that operated autonomously from the secondary schools and from each other. Both military schools are

attended exclusively by male students. One provides training to students from Nicaragua, South Yemen, Angola, Congo, and Mozambique. [redacted]

[redacted] the length of training for each national group varies and seems to be tailored for that group.

[redacted]

[redacted] this military school has no fence around it because the Cubans want it to look like one of the secondary schools, which are all of similar design. The military school is located about 8 kilometers from the town of La Fe, [redacted]

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[] additional artillery training is provided for the students at a base east of La Fe near the coast.

swampy areas using ropes, build shelters, use knives in combat, and set up ambushes. []

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Training at this school includes conventional academic subjects, as well as small arms and artillery familiarization and survival courses taught by armed forces personnel. The military courses last from several months up to a year. Part of the training, [] consists of a weeklong survival exercise in the field where each of the brigades of students learns how to find its way across country in rough terrain. During the exercise, the students are taught how to forage for food, traverse

[] the second military school is exclusively for Nicaraguan students, and provides a five-year training program. Upon completion of their studies at this facility, the Nicaraguan students are selected to attend Cuban and Soviet military academies and later to serve in the Nicaraguan armed forces. []

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An examination [] of the Isle of Youth [] the location of these schools indicates [] the first military school as well as the artillery range to the east of La Fe. [] the school is flanked on its east side by an obstacle course and a field training area, on the southwest by artillery training positions, and on the north by a parking area for trucks. Except for the obstacle course and the artillery positions, which are not readily visible from the road, the military school could easily be mistaken for one of the many secondary schools that dot the island. The photographic survey also confirms the location of the second military school that [] is used only by Nicaraguans. []

Disciplinary Problems

[] there have been frequent disciplinary problems with the students enrolled at both the secondary schools and the military training facilities. The most common problems include speaking out against Communism, disobeying orders, and the students' intense desire to return home. Many students find it impossible to adjust to the cultural changes and hundreds sometimes have to be sent home in the early stages of the training. Students also resent the rigid discipline—the brigade structure and three dormitory inspections daily are designed to discourage individualism—and many have been sent home for poor behavior. One African contingent of 2,400 scholarship holders was apparently reduced by about 15 percent in the first year largely because of the problem of incompatibility. []

With little to occupy their off-hours, the students have developed their own pursuits to pass the time. The pregnancy rate among the female students is high and has caused many to be sent home short of completing their studies. Even the secondary schools for Cuban students on the island have gained a bad reputation because of the pregnancy problem. []

Deporting Troublemakers

The African students, in particular, reportedly have had trouble adapting and have stolen food from farmers, damaged school property, and sold their clothing to farmers and then reported the items as stolen. In 1984, the government deported large

Typical Weekday for Foreign Students on Isle of Youth

0530	<i>Reveille; prepare for the day; first dormitory inspection.</i>
0630	<i>Students enter dining hall for breakfast by brigade.</i>
0700	<i>Assembly for rollcall and announcements.</i>
0730	<i>Go to work or classes by brigade.</i>
1130	<i>Students return from work or classes; second dormitory inspection; lunch by brigade.</i>
1330	<i>Back to classes or work by brigade.</i>
1730	<i>Work or school ends for the day; recreation; prepare for third dormitory inspection.</i>
1900	<i>Formal dormitory inspection.</i>
1915	<i>Students go to dinner by brigade.</i>
2000	<i>Recreation.</i>
2200	<i>Bedtime.</i>
2230	<i>Lights out.</i>

numbers of Angolan students by air to Luanda, []

The most serious incident that has come to light thus far involved Angolan students in 1982. Angered by the work regime, the curriculum, and their Cuban instructors, the students rebelled by cutting down citrus trees and destroying sugarcane, []

[] Five Cubans and

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Angolans reportedly died before the students were brought under control. [redacted]

These longstanding problems at the Angolan schools apparently required President dos Santos's personal attention during his trip to Cuba last March. Although he did not have time to visit the schools, he reportedly sent an intermediary with a message for the students and teachers promising some reforms would be made. Complementing the carrot, dos Santos also resorted to the stick. Reportedly, two dozen students expelled by the Cubans for criminal activities and insubordination were sent home in April. The tough treatment they received was intended as a deterrent to promote discipline among those still in school. [redacted]

Problems at the schools are not limited to the Angolan students. The US Embassy in Addis Ababa learned from local officials that Ethiopian students returning home were not in the best of health, because of their diet in Cuba that consisted primarily of starch with little protein. Some reportedly had mental problems caused by trying to cope with the hard life in Cuba, while others had trouble readjusting to Ethiopian life after coming home. One senior Ethiopian Government official noted that, in sending the children to Cuba, his government is accomplishing the opposite of what was intended: returning students were embittered at the Ethiopian Government and at Communism in general. [redacted]

Nicaraguan students caused problems not long after they first arrived on the Isle of Youth in 1980. Their most persistent complaint was not being able to attend Mass on Sunday because of Cuban efforts to restrict religious practices. The matter was not resolved until Nicaraguan Archbishop Obando y Bravo visited the island and talked to the students. [redacted]

[redacted]

Conclusions

While the Cuban media consistently give glowing accounts of the program's alleged success, Havana may in the long run find that, far from shaping the future leadership of its allies in the Communist mold, the hardships endured at the schools cause many potential leaders to return home harboring animosity toward Cuba and its politicoeconomic system. In theory, the scholarship program has great political and humanitarian appeal, but, like so many of President Castro's grandiose schemes, the practical application of the program is hampered by political complications, ideological restrictions, managerial ineptitude, and a lack of material resources. [redacted]

Moreover, the military training aspect may make Cuba's scholarship offers unpalatable to a number of Third World countries without contributing significantly to the skills of those students who go through the abbreviated course at the first military school. On the other hand, the second military school, used as a preparatory academy solely for Nicaraguans prior to their graduation to officer training schools in the USSR and Cuba, may play an important role in the ideological formation of those youths who will eventually provide the leadership of the Nicaraguan armed forces. [redacted]

In any case, we believe Castro is likely to continue promoting the program because of its showcase value. It is a tangible demonstration of Cuban generosity and underscores Havana's permanent commitment to helping the Third World overcome underdevelopment. Castro has been aware of the program's shortcomings for years, and judging from his efforts to expand it—four specialty polytechnical schools serving 1,800 students will open this September—he has decided that its merits far outweigh its drawbacks. [redacted]

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Uruguay: Sanguinetti and the Military

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The Uruguayan armed forces will turn over power to President-elect Julio Sanguinetti on 1 March, ending more than 11 years of military rule. Predominantly conservative and anti-Communist, the military strongly favored Sanguinetti's centrist Colorado Party over its center-left and leftist rivals in the November 1984 election. Sanguinetti has indicated that he will generally pursue cautious policies to avoid angering the armed forces. Military leaders, however, may be displeased with some steps he is likely to take in the areas of foreign policy and the military budget.

some officers have remained opposed to the restoration of civilian rule, but most support it out of desire to shed responsibility for the country's worsening economic difficulties. The armed forces have also been influenced by the return of democracy in neighboring Argentina and other South American countries.

The Commander in Chief of the Army, Gen. Hugo Medina, has been a key figure in the transition process.

Medina has strongly supported Sanguinetti, believing him to be the only politician capable of leading the country through a smooth transition. Medina, said to be highly respected within the armed forces, reportedly is working hard to convince fellow officers that they have no reason to fear civilian rule under Sanguinetti.

Areas of Agreement

Implementation of the 1984 Accord. Sanguinetti apparently plans to honor the agreement that he and his party reached with the armed forces in August 1984, paving the way for the restoration of civilian rule. The accord—which was strongly opposed by the Colorados' main rival, the center-left Blanco Party—provides for limited military participation in the new

government during its first year in office. For example, it calls for the formation of a National Security Council, composed of both military and civilian members, that will serve in an advisory capacity. It also grants the armed forces a voice in appointments of senior military officers. A constituent assembly will be convened later this year to work out constitutional reforms that would replace these transitional arrangements.

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Amnesty for Political Prisoners.

the military supports Sanguinetti's approach to the sensitive issue of amnesty for political prisoners. While the Blancos and the leftist Broad Front coalition, Uruguay's third main party, advocate a general and unconditional amnesty for all of the approximately 500 people imprisoned on political grounds, Sanguinetti favors immediate release only for those detained since the 1973 military takeover. The cases of those jailed earlier on charges of involvement in far-left guerrilla activity against elected Uruguayan governments will be considered by the courts on an individual basis. Military acceptance of Sanguinetti's policy on this issue is reflected in the outgoing regime's recent decision, reported by the US Embassy, to free many of the post-1973 political prisoners before leaving office.

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Punishment for Human Rights Abuses.

Many members of the Blanco and Broad Front parties have demanded that the new government use civilian courts to prosecute military officers accused of committing human rights violations during the period of military rule. Sanguinetti and the Colorados, however, will not pursue civilian prosecution of these officers, but will leave the question of trials to the military courts, according to US Embassy reporting. This is the approach that military leaders have insisted upon.

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Economic Policy. We believe the Sanguinetti government also will pursue economic policies acceptable to the military as it confronts a four-year-old recession, inflation that is 70 percent and rising, 15 percent unemployment, and a \$5.5 billion foreign debt. Sanguinetti and other Colorado leaders have indicated that they are not planning any sharp departures from current economic policies. According to US Embassy and other reporting, the new government will try to stimulate private industry and preserve the outgoing regime's free-market approach. Although the Colorados may seek greater government control over the banking sector, they do not favor bank nationalization as advocated by the Blancos and the Broad Front. The Colorados plan to look to the United States and other Western countries for aid and trade concessions. []

Labor. Sanguinetti's policy toward the restive labor unions is also likely to meet with the approval of the anti-Communist military leadership. His goal is to weaken the strong influence that Uruguayan Communists have long wielded within the labor movement. His plan, which he has discussed publicly, is to seek legislation providing for secret-ballot voting in strike calls and elections of union leaders. Sanguinetti apparently believes that such a reform would lead eventually to a more moderate and more pluralistic labor movement. According to US Embassy reporting, however, the new government may delay introducing its planned labor legislation to give moderates within the unions time to get organized. []

Areas of Potential Disagreement

[] Sanguinetti for the most part will follow policies palatable to the armed forces, for political reasons he may take some foreign initiatives that would not be well received by military leaders. Moreover, budget considerations may force him to cut military spending below the levels sought by leaders of the armed forces. []

Foreign Policy. According to US Embassy [] Sanguinetti's foreign policy will emphasize ties with the United States, Western Europe, and Uruguay's South American neighbors. Nevertheless,

[] he also intends to reestablish diplomatic relations with Cuba, expand cultural and commercial ties with the USSR, and possibly upgrade relations with Nicaragua by permitting Managua to open an embassy in Montevideo. In addition, we believe he may periodically criticize US policy in Central America. []

Sanguinetti recognizes that the military would be displeased by such actions. He probably reasons, however, that military commanders generally support him and are unlikely to challenge his diplomatic initiatives early in his administration. He apparently is more concerned with keeping leftist political opponents off balance through measures that reflect an independent foreign policy. []

Military Budget. Because of the financial squeeze facing Uruguay, the new government almost certainly will closely examine military spending. It is likely to impose restrictions on military wage increases and on purchases of new equipment and supplies. Sanguinetti also has said publicly that he will gradually reduce the number of military personnel, which has nearly doubled to 68,000 in recent years. Although these policies run the risk of sparking military resentment, Sanguinetti has indicated that he will proceed as cautiously and flexibly as possible and look for ways to soften the impact of cuts []

Outlook

We believe that the new government's overall policy mix will be accepted by the armed forces, at least during the early stages of civilian rule. Moreover, Sanguinetti is an adroit, careful politician who is likely to pursue his policies with prudence and flexibility. He will also be careful to appoint commanders who favor keeping the military out of government and focused on professional pursuits. []

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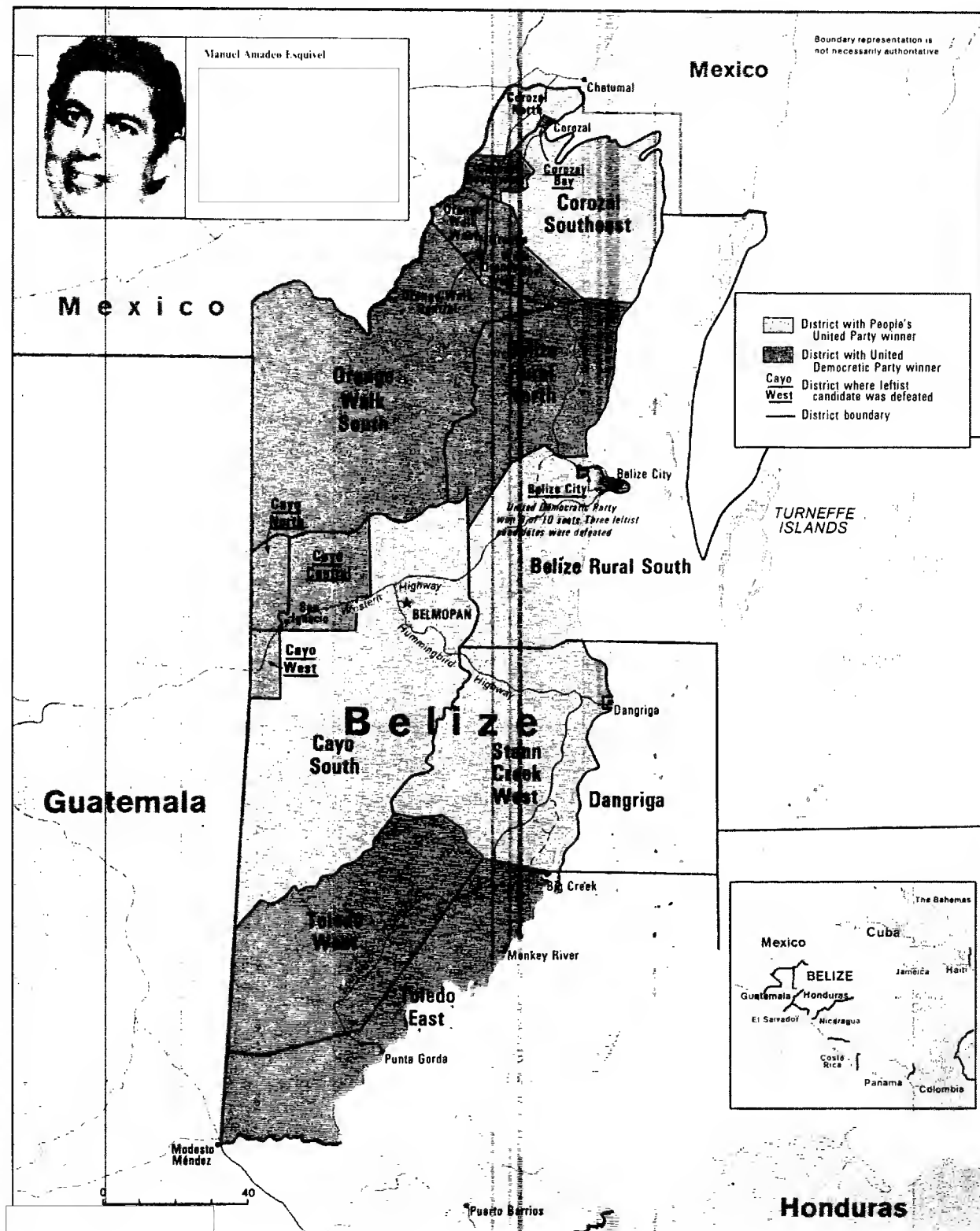
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The danger of a military move against Sanguinetti will grow if he proves unable over time to ease Uruguay's economic troubles and bring labor unrest under control. A resurgence of leftist-led political violence stemming from a prolonged period of ineffectual civilian rule would further heighten the chances of military intervention.

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Election Results-14 December 1984



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Belize: Impact of the Election [REDACTED]

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The overwhelming defeat of Prime Minister Price and his longtime ruling party in national elections on 14 December was a dramatic setback for the party's small but influential leftist faction, and divisive party infighting seems likely. The victorious United Democratic Party probably will work for closer cooperation with the United States and other Western nations, especially on economic matters, which will be a top priority for new Prime Minister Manuel Esquivel. We believe the new administration's mandate will soon be severely tested by mounting economic difficulties that will complicate efforts to maintain modest government services, pay civil servants, and sustain essential imports—especially food and fuel—at current levels. [REDACTED]

Results and Surprises

Over 77 percent of the country's more than 61,000 eligible voters exercised their franchise in the first national election held since Belize gained independence from Britain in 1981. Historically, however, this was a relatively low turnout for a general election in Belize, where, for example, almost 90 percent of the electorate went to the polls in 1979. In addition, the US Embassy notes abstention rates in several key Belize City districts ranged from 30 to 40 percent, suggesting that the United Democrats were assisted by ruling party supporters who stayed home. [REDACTED]

In the biggest surprise, Price—a moderate who had won every election since Belize attained self-rule from the United Kingdom in 1964—lost his seat in the House of Representatives to a 25-year-old political novice. Price apparently will try to regroup his party, [REDACTED] he will soon begin a countrywide tour to assess the party's organization and support at the grassroots level, presumably in anticipation of local town board elections scheduled for March 1985. [REDACTED]

Meanwhile, the defeated People's United Party returns only six incumbents—a mixture of moderates and conservatives—to the House, where before recent redistricting it held 13 of 18 seats. The opposition, however, returned all four of its incumbents and swept all 10 of the new electoral divisions in garnering 21 of 28 seats in the expanded House. [REDACTED]

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Setback for the Left

Virtually all of the former ruling party's leftist candidates, including pro-Cuban Health Minister Shoman and Education Minister Musa, were defeated. As a result, polarization and infighting between the party's conservative and leftist elements—a major reason for the landslide defeat—are now likely to escalate as each side attempts to explain away its election losses. Reporting from the US Embassy [REDACTED] indicates that Shoman and Musa blame former party chairman Louis Sylvestre—who was reelected—for factionalizing the party. [REDACTED] the two leftist leaders will seek the expulsion of Sylvestre, a conservative increasingly at odds with Price over his occasional concessions to the left. Failing that, Musa reportedly is prepared to form a new independent party. Nonetheless, we anticipate that the left—which hopes to take over the party once Price steps down—is likely to continue working within the party structure. [REDACTED]

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Meanwhile, the left apparently is taking steps to regain the initiative. [REDACTED]

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The New Cabinet

<i>Manuel Esquivel</i>	<i>Prime Minister/Defense/ Finance/Social Security</i>
<i>Curl Thompson</i>	<i>Deputy Prime Minister and Minister of Home Affairs/ Establishment</i>
<i>Dean Barrow</i>	<i>Foreign Affairs/Economic Development</i>
<i>Dean Lindo</i>	<i>Natural Resources</i>
<i>Israel Alpuche</i>	<i>Energy/Communications</i>
<i>Philip Goldson</i>	<i>Local Government/Social Services and Community Development</i>
<i>Hubert Elrington</i>	<i>Attorney General/Housing</i>
<i>Elodio Aragon and Deputy Ruben Campos</i>	<i>Health/Labor/Sports</i>
<i>Charles Wagner and Deputy Sam Rhaburn</i>	<i>Works</i>
<i>Derek Aikman and Deputy Henry Young</i>	<i>Education/Youth/Tourism/ Transport</i>
<i>Eduardo Juan</i>	<i>Commerce, Industry, Fishing, and Cooperatives</i>

[Redacted]

[Redacted]
 [Redacted] We believe Cuba almost certainly
 would play a role in such a project. Castro probably is
 stung by the left's crushing defeat, but he is likely to
 continue seeing prospects of formalizing relations with
 Belize tied to the long-term fortunes of Shoman,
 Musa, and other leftists. [Redacted]

Foreign Policy

The new government is unlikely to depart dramatically from its predecessor on most foreign policy questions. While the conservative Esquivel probably will abandon Price's generally neutral stand on East-West issues, he is not uncritical of US policy and remains wary of Washington's political and military power. Even so, we believe the new government will seek somewhat closer cooperation with the United States on a broad range of issues, including drug eradication and regional security policies. Esquivel, for example, already has announced that his government will crack down on the country's growing drug problem, and that it would consider permitting the US Army School of the Americas—recently closed in Panama—to relocate in Belize if such a proposal were put forth. The new Prime Minister also has indicated that he is not opposed to the recently agreed upon construction of a Voice of America radio station in Belize, although he did express concern that the facility might become a target for Guatemalan insurgents or other radicals [Redacted]

In dealing with Belize's most nagging foreign policy problem—the border dispute with Guatemala—Esquivel appears ready to take a harder tack than his predecessor and has indicated that “dialogue with Guatemala must start from zero.” Nevertheless, we expect Esquivel to depart from Price's policy of excluding the opposition by asking People's United Party members to join the UK-Belize negotiating party. Such a move, in our opinion, would provide both continuity to the talks and ultimately contribute to a nonpartisan approach to the politically sensitive problem. [Redacted]

Economic Woes

We believe Esquivel will give top priority to Belize's flagging economy, which remains overwhelmingly tied to sugar and related products. The recession in the sugar industry—which accounts for some 20 percent of GDP and almost 60 percent of Belize's domestic exports—has weakened the country's balance-of-payments position and strained government resources. Price had attempted to ride out

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the slump in sugar prices by cutting government spending, implementing utility rate hikes, and imposing limited tax increases. Nevertheless, these measures—coupled with nearly 14-percent unemployment and a \$13 million trade deficit in the first half of 1984—apparently contributed to the ruling party's defeat.

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The former government's recent success in securing a \$7.2 million IMF standby arrangement should help Esquivel in his initial efforts to bring about economic recovery. The Fund is likely to require new taxes, dismantlement of government subsidies, and reorganization of inefficient public enterprises. Adherence to the IMF program may forestall the need for more drastic measures such as devaluing the currency, cutting the government payroll, and reducing public services.

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Nevertheless, any prospect of sustained economic growth will require diversification of Belize's economic base and long-term development improvements. In this regard, Esquivel is likely to focus on the agricultural and tourism sectors, and he recently indicated that he will pursue increased foreign investment in Belize, particularly through closer economic ties with the United States.

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Outlook

Efforts by the domestic left to retake the initiative—and through them the potential for Cuban inroads—are likely to be undercut if the new government succeeds in reviving the economy. On the other hand, lack of progress will quickly end the honeymoon the new administration currently enjoys. Meanwhile, the Esquivel government will need increased infusions of economic assistance, and it almost certainly will seek relief from Washington through stepped-up economic and security programs.

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Dominica: Election Prospects []

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Faced with a deadline this September for calling elections, Prime Minister Eugenia Charles is increasingly concerned about the left-leaning opposition and the island's prolonged economic difficulties. Efforts by opposition parties to form a united front to challenge the ruling Freedom Party apparently are stalemated despite Cuban offers of aid contingent upon a formal alliance agreement. Since the 1980 election, popular support for the Freedom Party has diminished because of the slow pace of economic recovery. Nevertheless, opposition efforts to capitalize on the country's financial woes probably will encounter limited success as long as factionalism and personality conflicts persist among the opposition parties. []

Opposition Strategies

Cuban prodding of the opposition to unify has had only limited success to date. []

[] during the conference of Caribbean leftists in Havana last June, representatives from the three Dominican opposition parties—the Dominica Labor Party (DLP), the United Dominica Labor Party (UDLP), and the Dominica Liberation Movement (DLM)—were told that, unless they formed a united front by September to challenge the Freedom Party in the next election, all Cuban funding to them would be withheld.

Although this deadline was missed, Havana probably still would not refuse aid if the parties could reach a formal agreement soon. Opposition leaders claim that all three parties have agreed not to field candidates in the same constituencies, and a roster of candidates was tentatively approved in a meeting in late August. Nevertheless, talks apparently remain stalemated over the choice of a leader []

A victory in a local election in Portsmouth last August by the United Dominica Labor Party strengthened the resolve of its leader, Michael Douglas, to head the

proposed opposition alliance []

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Douglas's party captured all five seats, defeating candidates from the ruling party and the Dominica Labor Party. Douglas's hopes, however, will be diminished by the fact that Portsmouth is Douglas's home district and traditionally has been the United Dominica Labor Party's only stronghold. The party has yet to demonstrate an ability to gain support on a national level. []

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The outcome of a legal appeal by former Prime Minister Patrick John also is likely to affect the future of the opposition coalition significantly. In 1980, John—then leader of the Dominica Labor Party—was charged with plotting to overthrow the government. Although he was acquitted, the government appealed the decision, and the London Privy Council is scheduled to hear the case this month. Efforts by Oliver Seraphine, who succeeded John as party leader, to improve the Dominica Labor Party's image could be set back when the case is reopened, costing the party some popular support. Moreover, should John be acquitted, he almost certainly would try to resume a dominant role in the party, thereby increasing the friction over the question of alliance leadership. []

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Statements made to the press by leaders of both labor parties indicate that they are wary about the Marxist Dominica Liberation Movement participating in a unified front. The Movement, which had supported the Bishop government, lost much of its popular appeal following events in Grenada in late 1983. In recent months, the Liberation Movement has toned down its rhetoric. Opposition leaders remain concerned about the Movement's Marxist orientation, but they believe that in a close race Liberation

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ALA LAR 85-003
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Movement votes—which accounted for 10 percent of the popular vote in the 1980 elections—could prove to be crucial. [REDACTED]

The Economic Picture

The economic problems that beset the country during the late 1970s—especially poor agricultural performance and dwindling private investment—were worsened in 1979 by the effects of Hurricane David on the island's banana crop. Bananas account for nearly two-thirds of Dominica's export earnings. As a result of the storm damage, real GDP declined by 11 percent in 1979. A subsequent surge in foreign aid largely offset the drop in banana revenues, and, according to IMF figures, the economy grew by 8 percent in 1980. [REDACTED]

The rapid economic recovery in 1980, which was the Freedom Party's first year in office, unrealistically raised popular expectations for continued economic improvement. Low world commodity prices and the decline of the UK pound sterling since 1980 have derailed the ruling party's promise to turn the economy around. Moreover, a heavy wind storm last August destroyed an estimated 25 percent of the banana crop, according to the Dominica Marketing Corporation. Economic output can again be expected to show little or no growth in 1985 unless sizable amounts of foreign economic aid are forthcoming. [REDACTED]

The government is trying to reduce the country's dependence on bananas by encouraging agricultural diversification and expansion of light manufacturing. Most of the 50 or so manufacturing firms in Dominica are engaged in agricultural processing, mainly coconut oil, soap, and lime and grapefruit juice. With the help of foreign investors, the government hopes to develop labor-intensive export industries such as electronics assembly and garment and toy manufacturing. Much remains to be done, however. Without significant improvements in air service and basic infrastructure, foreign investors will continue to be discouraged. For the same reasons, the government's plans to develop tourism are unlikely to meet with much success. [REDACTED]

Ruling Party Prospects

Despite Prime Minister Charles's energetic efforts to attract foreign aid and investment, the progress achieved so far has not translated into political support. Unemployment, particularly among youths, remains high, and prospects appear dim for improvement in the near term. As a result, popular support for the ruling party has lessened somewhat, particularly in the rural districts, where it is regarded as favoring the middle and upper classes. [REDACTED]

Despite the economic problems, the Freedom Party probably will win a second term, although the opposition's fledgling electoral cooperation makes it unlikely that Charles will repeat her landslide victory of 1980. We believe the Prime Minister will call a snap election, probably in April or May, hoping the opposition will be unprepared to put together an effective campaign. The inability of the opposition parties to reach an accord on leadership will remain an overwhelming stumblingblock to full opposition unity. The possibility of a formal agreement cannot be ruled out inasmuch as Cuban promises of financial support might be a strong enough incentive for opposition leaders to put aside temporarily their personal ambitions. Such an agreement, however, would be an uneasy marriage of convenience and unlikely to last. In addition, memory of events in Grenada probably would discourage the conservative Dominican populace from favoring a government with leftist inclinations and support [REDACTED]

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Latin America Briefs

Cuba

New Housing Law

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In an effort to improve what President Castro recently acknowledged as a phenomenal shortage of housing, the government has passed a new law that will convert most renters into homeowners. The law, which becomes effective in July, will permit Cubans who now pay rent to the state to become owners of their homes and to continue payments only until the price of their residence is met. It also permits property owners to rent rooms for a limited period and to sell their property at freely established prices. In addition, the law allows the Cuban savings bank to make low-interest loans for new construction and home improvement.

Havana apparently believes that home ownership will be enough of an incentive to improve the deteriorating housing situation. The public, however, may not greet the changes enthusiastically because strict payment provisions will raise costs for households that have paid only token amounts for rent. The shortage of construction materials may also hinder new home construction and renovation. The government's vigorous publicity campaign for the law probably is intended to soothe opposition by hardline Communist officials to creating a landlord class and a free housing market. Moreover, Castro's public support for the law may indicate that his more pragmatic advisers are gaining influence in economic policy making.

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Continuing Debt Pressures

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Havana has approached its commercial and Western government creditors to request the refinancing of principal payments coming due in 1985, only weeks after concluding the 1984 rescheduling agreement with private banks. A task force of official creditors is planning to travel to Havana in March or April to assess Cuba's compliance with 1984 performance targets and to open the third round of negotiations on Cuba's debt. Under a clause in the last Paris Club agreement, official creditors agreed in principle to restructure Cuba's 1985 debt if Havana abided by the 1984 program.

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Based on a recent report by the National Bank of Cuba, which shows a surge in hard currency imports and a lackluster performance of sugar and other exports during the first part of 1984, Havana probably missed the creditors' targets for convertible currency trade and balance of payments. Nonetheless, Havana will probably cite its success in rescheduling payments owed to the socialist bloc, Moscow's recent agreement allowing Cuba to continue to resell Soviet-supplied petroleum products for hard currency, and President Castro's calls for economic austerity measures as evidence of Cuba's creditworthiness.

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Colombia

General Vega Appointed Defense Minister [REDACTED]

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President Betancur has named Gen. Miguel Vega Uribe as Defense Minister following the recent death of Gen. Gustavo Matamoros after a lengthy bout with liver cancer. Because Vega has served as acting defense minister for the past eight months, his appointment probably heralds no major change in the country's defense policy. Vega was widely considered the preferred candidate of most senior officers, and his selection probably has bolstered support for Betancur in the military. [REDACTED]

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[REDACTED] Vega as a competent commander who maintains an uncompromising attitude toward the guerrillas. [REDACTED]

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[REDACTED] a skilled political infighter who is likely to avoid provoking public confrontations with Betancur. Although Vega is occasionally at odds with the President over how to deal with the guerrillas, [REDACTED]

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[REDACTED] his differences with Betancur have narrowed as the result of recent protracted conflicts between the Army and 19th of April Movement insurgents. [REDACTED]

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Cuba Chronology

November-December 1984

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- 25 November-1 December** Mozambican Minister of Foreign Affairs Chissano visits Cuba. An agreement on ideology, a cooperation accord, and a protocol of cultural exchange are signed between the PCC and Frelimo Party.
- 1 December** Raul Castro heads a military ceremony commemorating the 28th anniversary of the *Granma's* landing and the founding of the FAR.
- 2 December** Horst Dohlus, member of the Politburo and Secretariat of the Socialist Unity Party of Germany, visits Havana. Politburo member Jose Ramon Machado greets him at the airport.
- 3 December** Thousands of Cubans who came to the United States in the 1980 Mariel boatlift line up at registration centers in the United States to begin the process of becoming US citizens.
- Mpinga Kasenda, permanent secretary of the Political Bureau of Zaire and Luis Delgado Perez, the new Cuban Ambassador to Zaire, discuss cooperation in the fields of culture, health, and agriculture.
- 4 December** Havana press reports that a group of Cuban specialists, experts in small water reservoirs, are currently in Ethiopia to help with the government's plans for resolving the drought.
- 5 December** Minister of Culture Armando Hart opens a seminar on US minorities. He says the role of US communities can be decisive in achieving a future of unity and peace on the American continent.
- 6 December** Three cooperation agreements in the areas of public health, agriculture, and sports are signed with Zambia in Havana.

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- 7 December** The Vietnamese ship To Lich arrives in Havana after 35 days at sea, signaling the inauguration of maritime service between Cuba and Vietnam.
- 8 December** The Foreign Ministry reports that the third round of talks on immigration matters between the United States and Cuba ended on 5 December. Vice Foreign Minister Alarcon headed the Cuban delegation.
- 10 December** Vice Minister of the Sugar Industry Garcia announces in Mexico City that Mexico and Cuba will implement a joint program for the construction and modernization of sugar mills.
- 11 December** Carlos Rafael Rodriguez meets with the secretary of Guyana's People's Progressive Party, Cheddi Jagan, in Havana to discuss the situation in Central America and the Caribbean and the world's economy.
- US Administration officials report that the United States and Cuba have reached a basic agreement to return to Havana about 2,500 "undesirable" refugees and to allow some 20,000 Cubans to immigrate annually.
- 13 December** Justice Minister Reguerira and Cape Verdian Finance and Economy Minister Lopez da Silva sign a protocol in Havana on economic and scientific and technical cooperation.
- In an interview with Prensa Latina, Foreign Minister Malmierca reiterates that Cuba supports the negotiations between Venezuela and Guyana to resolve their disagreement over territorial issues.
- 14 December** Fidel Castro delivers a nationwide radio and television speech in which he terms the immigration agreement with the United States as "positive and constructive."
- Fidel Castro and Ethiopian Chairman discuss the current situation and cooperation between the parties and governments.
- 15 December** The National Bank of Cuba signs an agreement in Paris with international banks to reschedule its 1984 foreign debt of approximately \$1 billion over nine years, with a five-year grace period.
- 17 December** Deputy Chairman of the USSR Council of Ministers meets with Cuba's Ambassador to the USSR Soto to discuss the development of petroleum production in the Varadero-Cardenas Basin.

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- 18 December** Minister of Industry and Commerce of Equatorial Guinea discusses the possibilities of developing commercial and entrepreneurial activities with Cuban Ambassador Ortega.
- 19 December** Talks between Yugoslav Deputy Foreign Secretary Loncar and Deputy Foreign Minister Linares end. The current international situation and the Nonaligned Movement were discussed.
- Zambia's Minister of State for Foreign Affairs Musuka arrives in Cuba and is received at Jose Marti International Airport by Giraldo Mazola, Vice Minister of Foreign Relations.
- 20 December** Politburo alternate member Jesus Montane meets with a delegation from the OAU's committee of liberation, presided over by Zambian Minister of State for Foreign Affairs Musuka.
- 21 December** Secretary General of South Africa's Communist Party Moses Mahida arrives in Havana. He meets with Jesus Montane to discuss South Africa.
- Chairman of the Cuban National UNESCO Commission Vicentina Antuna says in Havana that the United States withdrawal from UNESCO is another example of US arrogance.
- Ambassador to Mali Martin and Bassi Toure, Deputy Director General of International Cooperation sign a draft cultural agreement for 1985-86.
- 22 December** Raul Castro bids farewell to a delegation, presided over by Division General Abelardo Colome Ibarra, representing the party, government, and FAR at the funeral in Moscow of Dmitriy Ustinov.
- US officials in New York report that 77 Cubans who used allegedly phony documents to enter the United States from Spain were denied entry at John F. Kennedy Airport. Immigration hearings are pending.
- 23 December** Politburo member Julio Camacho Aguilera and deputies of the government discuss development projects planned for Havana, which include expanding the Nico Lopez oil refinery and subway construction.
- 25 December** In an interview in Paris, French Cooperation Minister Nucci says that 1985 will constitute a new stage in French-Cuban cooperation. An intergovernmental meeting will be held in Havana in January.

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A new housing law is unanimously approved during the 7th Session of the People's Government National Assembly.

President of Burkina Thomas Sankara sends a message of congratulations to Fidel Castro on the 26th anniversary of the revolution.

28 December

A Soviet naval task force arrives on a friendship visit. The destroyer Otlichny is accompanied by escort ships Zadornyy and Razitelnyy, a diesel submarine, and a tanker.

President of the Central Planning Board Humberto Perez tells the National Assembly that the 7.4-percent growth rate in the economy in 1984 surpassed the 4 to 4.5 percent anticipated in 1983.

Yasir Arafat receives a message of support and congratulations from the Cuban Communist Party Central Committee on the 20th anniversary of the Palestinian revolution.

In a speech to the National Assembly, Fidel Castro accuses the United States and Australia of trying to damage the Cuban economy by sabotaging an international sugar agreement.

29 December

In an interview with Prensa Latina in Belgrade, Yugoslav official Mito Pejovski discusses bilateral relations and trade with Cuba that amounted to \$20-30 million in 1984.

30 December

Raul Castro receives Soviet Vice Admiral Ryabov. Ryabov termed the strengthening of Cuba's defenses as positive and necessary because of increasing US aggressiveness.

31 December

Head of State Rawlings of Ghana sends a message of congratulations to Fidel Castro on the 26th anniversary of the Cuban revolution, saying he will continue drawing inspiration from Fidel's ideals.

Cuban Ambassador to Zimbabwe Perez says in a news conference that there are about 140 Zimbabweans training in Cuba in different disciplines, and that the two countries may sign a trade and economic accord next year.



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